

FISCAL MEMORANDUM HB 1008 – SB 1452

April 2, 2007

SUMMARY OF AMENDMENT (004816): Enacts the “Tennessee STAR Scholarship Act of 2007”. The act creates pilot projects to investigate a model that addresses the needs of economically disadvantaged fourth through seventh graders and their parents in improving academic achievement. One component of the pilot project should provide financial assistance to students enrolled in the project from state lottery proceeds through a Tennessee Star scholarship program; and the second component would provide enrichment programs. The Department of Education is required to establish no more than 18 such pilot projects, with no more than six in each grand division. Students should enroll in the pilot project as fourth graders and each pilot shall enroll a maximum of 250 students.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Expenditures - \$600,000/Pilot Programs

Other Fiscal Impact – Increases the expenditure of lottery proceeds by \$638,000 in FY07-08 and \$620,300 in FY08-09 for staff requirements for the Department of Education and TSAC.

Increases the expenditure of lottery proceeds in FY12-13 (when eligible students begin receiving scholarships while attending a post-secondary institution) by \$50,699,000 and by \$55,735,300 in FY13-14.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Other Fiscal Impact – Increases the expenditure of lottery proceeds by \$1,038,000 in FY07-08 and \$1,020,300 in FY08-09 for staff requirements for the Department of Education and TSAC.

Increases the expenditure of lottery proceeds in FY007-08 by \$4,500,000 for 18 pilot projects. The second year cost (FY08-09) will be approximately \$9,000,000 since another grade will be added.

Increases the expenditure of lottery proceeds in FY13-14 (when eligible students begin receiving scholarships while attending a post-secondary institution) by \$103,347,900 and by \$113,643,900 in FY14-15.

Assumptions applied to amendment:

- The Department of Education estimates eighteen pilot/enrichment programs at \$250,000 per program (250 students per program) totaling \$4,500,000.

- According to the Department of Education the pilot/enrichment programs would be funded with lottery proceeds based on the provisions of this amendment.
- The STAR scholarship program would award credits for participation in enrichment program activities. Such information could be assessed through the secure account set up by the Department of Education. The cost to set up such account is estimated to be \$50,000.
- The Department of Education shall promulgate rules to establish the STAR pilot project and is responsible for collection of all data concerning the points earned by middle school and high school students for participation in such programs.
- The Department of Education shall report to the Education Committees of the Senate and House. The cost of such reporting is estimated to be not significant.
- Costs incurred by the Department of Education in administering the scholarship program are estimated to be \$589,000 in Year 1 and Year 2 for one project director, an administrative secretary and one administrative position in each of the nine field service sites plus related costs. Such staff would collect data, serve as liaisons between the department, TSAC and THEC and local school systems and maintain all student records.
- Costs incurred by TSAC in Year 1 for creating, administering, and promoting the program are estimated to be \$398,920 for one program coordinator and five outreach specialists and related costs. Costs incurred by TSAC in Year 2 are estimated to be \$381,320.
- Costs to administer the program are to be funded with lottery proceeds.
- According to TSAC there would be no costs associated with disbursing funds to postsecondary institutions on behalf of eligible students until FY13-14.
- The fiscal impact in Year 1 (FY13-14) when eligible students begin receiving funds while attending post-secondary institutions is estimated to be \$103,347,870. The cost in Year 2 (FY14-15) is estimated to \$113,643,870. These estimates are in today's dollars. This dollar amount will increase due to the annual increases in tuition.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director

RT/